

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57989

PACIFIC COUNTY, WASHINGTON

January 1, 1994 Through December 31, 1995

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PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Pacific County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the

design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. The County Should Comply With The Statutory Requirements For Revaluation Of Real Property

While there have been some improvements, this is a repeated finding from the prior audit.

The intent of the assessor's real property revaluation program is to physically inspect all taxable property at least every four years and to inspect new construction each year.

The assessor's office has added personnel and committed resources for improvements to its computer system. However, these steps have not enabled the assessor's office to meet statutory requirements. The assessor provided data as to the progress and status of revaluations for 1995:

- a. Of 9,814 parcels scheduled for physical inspection, there remained 957 parcels not completed by roll closure. (The prior audit report noted that 1,775 were not completed by closure of the tax roll.)
- b. The new construction assessment program is not current. We were unable to list any new construction other than what was appraised on cycle during the year 1995. Assistance provided by the Department of Revenue appraised \$12,467,300 on permits having valuations over \$80,000. A substantial backlog of new construction permits remains unappraised.

RCW 84.41.030 states:

Each county assessor shall maintain an active and systematic program of revaluation on a continuous basis, and shall establish a revaluation schedule which will result in revaluation of all taxable real property within the county at least once each four years and physical inspection of all taxable real property within the county at least once each six years

To accomplish these requirements, RCW 84.41.050 states:

Each county assessor in budgets hereafter submitted, shall make adequate provision to effect county-wide revaluations as herein directed. The several boards of county commissioners in passing upon budgets submitted by the several assessors, shall authorize and levy amounts which in the judgment of the board will suffice to carry out the directions of this chapter.

Because the assessor is not meeting the statutory revaluation requirements, not all taxable property and new construction on the tax rolls is assessed at market value. Substantial

revenue is lost to the county, taxing districts, and the state when new construction is not added to the rolls and owners of existing property must pay a disproportionate share of the tax burden.

Tax districts are impacted by the delay in revaluations and in delays in new construction being added to the rolls due to the tax levies being based upon noncurrent valuations. For rising valuation areas, the tax levy would be undervalued.

We again recommend the Pacific County Commissioners provide the assessor with resources sufficient to accomplish the statutory requirements for valuation and revaluation of real property.

Auditee's Response

We concur with the facts as presented in the finding. We will continue to make every effort to improve our revaluation program and to comply with statutory requirements.

Auditor's Concluding Remarks

Based upon the county's response to the finding, it appears corrective actions will continue to be made.

We would like to thank the staff of Pacific County for their cooperation and assistance throughout the course of the audit.

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the accompanying general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific County, at December 31, 1995 and 1994, and the results of its operations and cash flows of its proprietary fund types for the fiscal years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State Financial Assistance listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The special purpose districts listed in the supporting schedule are audited as a part of the trust and agency funds of Pacific County.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 1996, on our consideration of the county's internal control structure and a report dated December 10, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Additional Information Regarding Audits Of Special Purpose Districts Included In
Trust And Agency Funds**

The State Auditor's Office has established audit policies for special purpose districts associated with the county's financial statements. These audit policies are designed to reflect low audit risk assessment, minimize audit costs, and apply auditing procedures that are appropriate to the district's size and other factors. For the purpose of these policies, special purpose districts are defined as most separate municipal corporations which use the county auditor and treasurer as ex-officio officers. Special purpose districts include:

- Unclassified Public Utility Districts
- Public Hospital Districts
- Unclassified Port Districts
- Cemetery Districts
- Ferry Districts (except county ferries)
- Fire Protection Districts
- Park and Recreation Districts
- Mosquito Control Districts
- Weed Control Districts
- Animal Pest Control Districts
- Ambulance and First Aid Districts
- Irrigation Districts
- TV Reception District
- Diking Districts
- Flood Control Districts
- Drainage Districts
- Diking and Drainage Districts
- Water Districts
- Sewer Districts
- Water/Sewer Districts

These policies DO NOT apply to school districts, airport districts, road improvement districts, county road and bridge service districts, utility local improvement districts, local improvement districts, metropolitan park districts, public transportation benefit areas, housing authorities, solid waste collection districts, county rail districts, lake management districts, or any economic or industrial development districts.

Classifications

Special purpose districts are classified into three categories determined by the amount and source of revenues. These categories define audit planning and scheduling, auditing procedures and levels of testing, billing procedures, and audit reporting requirements.

Category 1 Districts

All special purpose districts, regardless of type, which either:

- a. Had more than \$500,000 of revenues in any year being audited, or
- b. Received \$25,000 or more of direct or indirect federal assistance in any year being audited.

Category 1 districts are audited individually and each receives its own audit report. The Category 1 districts associated with the county's financial statements are:

North Pacific County EMS
Pacific Conservation
Port of Willapa Harbor
Port of Ilwaco
Pacific County Hospital District No. 1

Category 2 Districts

All special purpose districts which had total revenues of at least \$25,000 but not more than \$500,000 in any year being audited and which received less than \$25,000 in direct and indirect federal assistance. Additionally, the following types of districts will be considered as Category 2 even if their annual revenues are less than \$25,000:

Public Utility Districts
Public Hospital Districts
Irrigation Districts
Water Districts
Sewer Districts
Water/Sewer Districts
Port Districts

These types of districts have greater audit risks than other types of districts of equivalent size because they typically received a significant amount of their revenues from locally generated sources rather than through taxes and assessments.

Category 2 districts are audited as a group using limited auditing procedures. A single, combined audit report is issued for the Category 2 districts. The Category 2 districts associated with the county's financial statements are:

Peninsula Fire District No. 1
Chinook Fire District No. 2
Willapa Valley Fire District No. 3
Naselle Fire District No. 4
North Cove Fire District No. 5
Port of Peninsula
Port of Chinook
Willapa Valley Water District
Chinook Water District
Seaview Sewer

Category 3 Districts

All special purpose districts which had total revenues of less than \$25,000 in any year being audited except those districts specifically listed in Category 2.

Category 3 districts are audited only at the county level using auditing procedures appropriate for a trust and agency fund. No separate audit reports are issued for Category 3 districts. The Category 3 districts associated with the county's financial statements are:

Bay Center Fire District No. 6
Nemah Fire District No. 7
South Bend Fire District No. 8
Drainage District No. 1
Drainage District No. 3

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Pacific County taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994:

- Political activity
- Davis-Bacon Act
- Civil rights
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Cash management
- Relocation assistance and real property acquisition
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to support for vouchers, management of real property purchases, and transfers and conformity of materials and workmanship to approved plans and specifications as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- and claims for advances and reimbursements

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Pacific County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal years ended December 31, 1995 and 1994.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Chairman of the Board of Commissioners
Pacific County
South Bend, Washington

We have audited the general-purpose financial statements of Pacific County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 10, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 10, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 10, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Payroll
- **General Requirements**
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements
- **Specific Requirements**
 - Types of services
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Inventory control
 - Property, plant, and equipment
 - General ledger
- **General Requirements**
 - Cash management
 - Relocation assistance and real property acquisition
 - Subrecipient monitoring
- **Specific Requirements**
 - Eligibility

- **Claims For Advances**
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended December 31, 1995, the county expended 51.6 percent of its total federal financial assistance under its major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 10, 1996

PACIFIC COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Status Of Prior Findings

1. The County Should Comply With The Statutory Requirements For Revaluation Of Real Property

Resolution: This finding has been continued for this audit period.

2. The County Should Provide Accurate Data For The Calculation Of Limitation Upon Regular Property Taxes

Resolution: This prior finding resulted from noncompliance with the 106 percent levy limitation prescribed by RCW 84.55.010 by taxing districts within the county. Taxing districts are subject to several limitations on the amounts which they may levy, including the 106 percent limitation. During the current audit, we determined that the county made substantial progress toward ensuring that levy limitations were complied with. In response to the recommendations contained in our prior finding, the county:

- *Contracted with a consultant for the reconstruction and review of 106 percent levy lid calculations from 1986 through 1995*
- *Initiated a system for annual review of compliance with levy limitations*

Despite the progress made by the county, we determined that for the 1994 levy for taxes payable in 1995, levy limitations were exceeded for two taxing districts. These excess levies appear to have been caused by a misinterpretation of the statutory rate limit for cities within the boundaries of a public library district (Timberland Regional Library). The City of Long Beach requested and levied \$230,843 when its maximum allowable levy was \$212,924. The City of Ilwaco requested and levied \$88,554 when its maximum allowable levy was \$77,141. These over-levies exceeded the maximum permissible under applicable limitations by \$17,919 and \$11,413, respectively. We support the county's progress towards compliance with statutory levy limitations and recommend that continued efforts to achieve full compliance be made.

3. The County Should Improve Its Annual Report Preparation

Resolution: Pacific County has improved its annual report preparation by filing timely and has prepared their latest report according to generally accepted accounting principles (GAAP).